

**REPORT OF THE AUDIT OF THE  
BULLITT COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Kenneth Rigdon, Bullitt County Judge/Executive  
Honorable Paul Parsley, Bullitt County Sheriff  
Members of the Bullitt County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the statement of revenues, expenditures, and excess fees of the County Sheriff of Bullitt County, Kentucky, for the year ended December 31, 2003.

We engaged Ross & Company, PLLC to perform the audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC evaluated the Bullitt County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

Enclosure





**REPORT OF THE AUDIT OF THE  
BULLITT COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2003**

**ROSS & COMPANY, PLLC**  
**Certified Public Accountants**  
800 Envoy Circle  
Louisville, KY  
Telephone (502) 499-9088  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE BULLITT COUNTY SHERIFF**

**For The Year Ended  
December 31, 2003**

Ross & Company, PLLC has completed the Bullitt County Sheriff's audit for the year ended December 31, 2003. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting described in Note 1.

#### **Financial Condition:**

Excess fees increased by \$11,547 from the prior year, resulting in excess fees of \$14,392 as of December 31, 2003. Revenues increased by \$853 from the prior year and expenditures decreased by \$10,694.

#### **Report Comment:**

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits





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The Honorable Kenneth Rigdon, Bullitt County Judge/Executive  
Honorable Paul Parsley, Bullitt County Sheriff  
Members of the Bullitt County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Bullitt County, Kentucky, for the year ended December 31, 2003. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Sheriff for the year ended December 31, 2003, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2005, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Honorable Kenneth Rigdon, Bullitt County Judge/Executive  
Honorable Paul Parsley, Bullitt County Sheriff  
Members of the Bullitt County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Bullitt County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company", written in black ink.

Ross & Company, PLLC

Audit fieldwork completed -  
January 31, 2005

BULLITT COUNTY  
 PAUL PARSLEY, COUNTY SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2003

Revenues

State Grants		\$	48,212
State - Kentucky Law Enforcement Foundation Program Fund			96,730
State Fees For Services:			
Finance and Administration Cabinet	\$	25,764	
Cabinet For Human Resources		<u>17,083</u>	42,847
Circuit Court Clerk:			
Sheriff Security Service	\$	70,649	
Fines and Fees Collected		<u>9,317</u>	79,966
Fiscal Court			502,921
County Clerk - Delinquent Taxes			5,893
Commission On Taxes Collected			764,927
Fees Collected For Services:			
Auto Inspections	\$	16,650	
Accident and Police Reports		1,732	
Serving Papers		67,477	
Carrying Concealed Deadly Weapon Permits		<u>17,200</u>	103,059
Other:			
Bond Refund	\$	102	
Prisoner Transport		417	
Election Commissioner		560	
Reimbursements		990	
Add-on Penalty for Taxes		90,651	
Miscellaneous		<u>23,889</u>	116,609
Interest Earned			30,008
Borrowed Money:			
State Advancement			<u>225,000</u>
Total Revenues		\$	<u>2,016,172</u>

The accompanying notes are an integral part of this financial statement.

BULLITT COUNTY  
 PAUL PARSLEY, COUNTY SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2003  
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries		\$	1,217,313
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Employee Benefits-

Employer's Share Social Security	\$	89,921	
Employer's Share Retirement		4,917	
Employer Paid Health Insurance		72,922	167,760

Contracted Services-

Advertising			16,246
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Materials and Supplies-

Office Materials and Supplies	\$	17,001	
Uniforms		14,445	31,446

Auto Expense-

Gasoline	\$	60,520	
Maintenance and Repairs		34,391	
Mileage		269	95,180

Other Charges-

Conventions and Travel	\$	5,159	
Dues		2,415	
Postage		18,320	
Telephones		20,507	
Bond		102	
Carrying Concealed Deadly Weapon Permits		12,095	
Miscellaneous		5,793	64,391

Capital Outlay-

Office Equipment	\$	60,669	
Patrol Equipment		6,715	
Equipment Rental		4,822	
Vehicles		27,234	99,440

The accompanying notes are an integral part of this financial statement.

BULLITT COUNTY  
 PAUL PARSLEY, COUNTY SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2003  
 (Continued)

Expenditures (Continued)

Debt Service:

State Advancement		\$	225,000
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Total Expenditures		\$	1,916,776
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Net Revenues		\$	99,396
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Less: Statutory Maximum	\$	81,968	
Training Incentive Benefit		3,036	85,004

Excess Fees Due County for 2003		\$	14,392
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Payments to Fiscal Court - December 31, 2003			14,392
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Balance Due Fiscal Court at Completion of Audit		\$	0
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The accompanying notes are an integral part of this financial statement.

BULLITT COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

Kentucky Revised Statute (KRS) 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Sheriff as determined by the audit. KRS 134.310 requires the County Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2003

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).



BULLITT COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2003  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems.

This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months of the year and 7.34 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent for the first six months of the year and 18.51 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposit

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 11, 2003, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$5,178,283 of public funds uninsured and unsecured.

BULLITT COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2003  
 (Continued)

Note 3. Deposit (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county as of November 11, 2003.

	<u>Bank Balance</u>
FDIC insured	\$ 100,000
Collateralized with securities held by pledging depository institution in the county official's name	17,000,000
Uncollateralized and uninsured	<u>5,178,283</u>
Total	<u>\$ 22,278,283</u>

Note 4. Project DARE Bank Account

This account is used to pursue DARE activities. The beginning balance as of January 1, 2003 was \$2,765. Receipts and disbursements for the year were undetermined because the bank statements were lost in moving. Ending balance as of December 31, 2003 was \$2,318.

Note 5. Drug Confiscated Property Bank Account

This bank account is used to deposit and disburse funds received pursuant to property confiscated during the course of drug enforcement. The beginning balance as of January 1, 2003 was \$7,126. Receipts for the year were \$18,890. Disbursements were \$7,864. The ending balance as of December 31, 2003 was \$18,152.

Note 6. Tax Escrow Accounts

A. 2002 Tax Account

The 2002 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The account was opened in October 2003 with a deposit of \$11,178. Additional deposits were \$63. Disbursements for the period were \$771. The ending balance as of December 31, 2003 was \$10,470.

B. 2000 Tax Account

The 2000 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The beginning balance as of January 1, 2003 was \$4,327. Deposits for the period were \$90. Disbursements were \$162. The ending balance as of December 31, 2003 was \$4,255.

BULLITT COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2003  
(Continued)

Note 6. Tax Escrow Accounts (Continued)

C. 1999 Tax Account

The 1999 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The beginning balance as of January 1, 2003 was \$3,554. Deposits for the periods were \$74. Disbursements were \$127. The ending balance as of December 31, 2003 was \$3,501.

D. 1998 Tax Account

The 1998 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The beginning balance as of January 1, 2003 was \$5,203. Deposits for the period were \$109. Disbursements were \$186. The ending balance as of December 31, 2003 was \$5,126.

E. 1997 Tax Account

The 1997 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The beginning balance as of January 1, 2003 was \$3,439. Deposits for the period were \$72. Disbursements for the period were \$123. The ending balance as of December 31, 2003 was \$3,388.

The Sheriff has attempted to return overpayments to taxpayers. According to KRS 393.090, effective through June 23, 2003, property is presumed abandoned after seven years, after which time it is to be turned over to the Kentucky State Treasurer. After KRS 393.090 was amended, effective June 24, 2003, property is presumed abandoned after three years, after which time it is to be turned over to the Kentucky State Treasurer, in accordance with KRS 393.110.

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COMMENT AND RECOMMENDATION



BULLITT COUNTY  
PAUL PARSLEY, COUNTY SHERIFF  
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2003

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

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On November 11, 2003, \$5,178,283 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*Sheriff's Response:*

*Will do a better job of following up with bank officials.*

PRIOR YEAR:

*None*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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The Honorable Kenneth Rigdon, Bullitt County Judge/Executive  
Honorable Paul Parsley, Bullitt County Sheriff  
Members of the Bullitt County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Bullitt County Sheriff for the year ended December 31, 2003, and have issued our report thereon dated January 31, 2005. This was a special report on the County Sheriff's financial statement prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Bullitt County Sheriff's financial statement for the year ended December 31, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

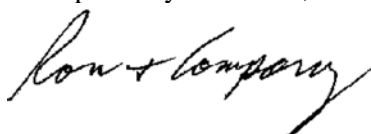
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bullitt County Sheriff internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -  
January 31, 2005

